



State of Idaho

Legislative Services Office

Management Report on Financial Procedures

A communication to the Joint Finance-Appropriations Committee

IDAHO DIVISION OF VOCATIONAL REHABILITATION

FY 2003, 2004, and 2005

Report IC52305 / SA52305

Serving Idaho's Citizen Legislature

LEGISLATIVE SERVICES' MISSION STATEMENT

The mission of the Legislative Services Office is to provide efficient, nonpartisan support services to Idaho's citizen legislators, to carry out legislative policies so as to strengthen the legislature's management as a separate branch of government, and to assist the legislature in carrying out its constitutional responsibilities to the highest standards of integrity and professional excellence. (Approved by the Legislative Council, January 20, 1994.)

LEGISLATIVE AUDITS' CHARGE

Legislative Audits, a division of Legislative Services, is charged by the Legislative Council to provide a financial audit of the statewide annual financial report prepared by the State Controller, as required by Idaho Code, Section 67-429. In addition to special reports and requested studies, Legislative Audits produces three types of audit reports and two types of management reports (described below) for the Joint Finance-Appropriations Committee and other interested parties. These audits, reports, and studies, which vary in scope, provide information for oversight of State finances for the legislature, government entities, and the public, as well as satisfying federal audit requirements.

<u>DESCRIPTION</u>	<u>LEVEL OF SCRUTINY</u>
<i>COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)</i>	Our opinion as to the fairness of presentation of the annual statewide financial statements; a reference to our report on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, and grants issued under separate cover in the State's <i>Single Audit</i> .
<i>STATEWIDE SINGLE AUDIT REPORT</i>	Our opinion on the schedule of expenditures of federal awards in relation to the State's basic financial statements taken as a whole; a report on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards; a report on compliance with requirements applicable to each major program, and on internal control over compliance in accordance with <i>OMB Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations)</i> ; recommendations to improve the State's financial/accounting system; and recommendations and questioned costs related to federal awards. In addition, the report includes the State's basic financial statements and the related opinion thereon.
<i>INDIVIDUAL ENTITY AUDIT REPORT</i>	Our opinion on the fairness of presentation of the entity's financial statements; a report on compliance, and on internal control over financial reporting, based on an audit of financial statements performed in accordance with Government Auditing Standards; if applicable, a report on compliance with requirements of each major program, and on internal control over compliance in accordance with <i>OMB Circular A-133</i> .
<i>MANAGEMENT REPORT ON FINANCIAL PROCEDURES</i>	A report based on specific procedures applied to the financial segments material to the statewide financial statement and an internal control review of those financial segments not deemed material to the statewide financial statements, or an audit of a major federal grant. Findings and recommendations are included, if applicable, to improve policies, procedures, compliance, controls, and the entity's overall efficiency.
<i>MANAGEMENT REPORT ON INTERNAL CONTROL</i>	A cyclical report highlighting the entity's internal control with findings and recommendations, if applicable, to improve the system to prevent errors, omissions, misrepresentations, oversights, and fraud, thus protecting State resources.

FOREWORD

PURPOSE OF REPORT

Financial procedures were applied at the Idaho Division of Vocational Rehabilitation. These procedures, combined with audit work performed at other agencies, including the State Controller's Office, allow us to give our opinion on the statewide basic financial statements prepared by the State Controller's Office. The work was performed in accordance with government auditing standards issued by the Comptroller General of the United States. In addition, appropriate procedures and required tests were made for major federal programs, if any, in order to issue the *Single Audit Report*, as required by *OMB Circular A-133*. This report summarizes the procedures and their results.

SCOPE OF WORK

The financial audit procedures applied are based on the materiality of the various financial segments, assessment of risk of material misstatement, and legislative or public interest. The limited procedures applied at the Division for fiscal years 2003, 2004, and 2005 include, if applicable:

- Audit applications, including substantive tests, to the financial segments material to the statewide audit.
- Internal control review of significant financial segments.
- Compliance work of both federal and State issues.
- Follow-up of prior findings and recommendations.
- Findings and recommendations to strengthen and improve operations or reduce the risk of material misstatement.

AUDIT AUTHORIZATION

Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature, authorized by Idaho Code, Section 67-429.

ASSIGNED STAFF

Cliff Larson, CPA, CGFM, Auditor-in-Charge
Jim Combo, CPA, Staff Auditor

ADMINISTRATION AND TECHNICAL REVIEW

Ray Ineck, CGFM, Supervisor, Legislative Audits
Eugene Sparks, CPA, CGFM, Managing Auditor

GRAPHIC LOGISTICS

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EXECUTIVE SUMMARY LEGISLATIVE AUDITS

IDAHO DIVISION OF VOCATIONAL REHABILITATION

PURPOSE AND SCOPE. We have completed certain financial audit procedures on the Idaho Division of Vocational Rehabilitation's financial activities that occurred during the fiscal years ended June 30, 2003, 2004, and 2005. These procedures, together with procedures performed at other State agencies, allow us to express our opinion on the statewide basic financial statements prepared by the State Controller's Office. Since a major federal program was present, appropriate procedures and required tests were made in order to issue the federally required *Single Audit Report*.

CONCLUSION. Three findings and recommendations are included in this report, that will, if implemented, improve efficiency, effectiveness, compliance, and controls of the Division. Although we discussed these issues for improvement, we conclude that the financial operations of the Division meet accepted standards and that the Division substantially complies with laws, regulations, rules, grants, and contracts for which we tested compliance.

FINDINGS AND RECOMMENDATIONS. We have summarized the three findings and recommendations below.

FINDING #1. The Division is not in compliance with requirements for allowable costs for the Rehabilitation Services Basic Support Grant, thereby causing \$432,400 in questioned costs. This program includes counseling, vocational and other training, job placement, and rehabilitation technology. These services assist disabled Idaho residents in retaining or entering into employment commensurate with their abilities, skills, and desires. The State spent more than \$13 million in grant funds, and matched these funds with more than \$3 million in State money.

The Office of Management and Budget (OMB) *Circular A-87* lists the primary requirements for establishing allowable costs. This guidance provides methodologies for charging these costs to grants. The Division did not comply with this circular, as it did not (1) have an indirect cost rate approved by the cognizant agency; (2) properly allocate costs to the basic support grant; or (3) properly document employee time worked on the grant, in order to allocate payroll costs correctly.

We recommend that the Division obtain an approved indirect cost rate plan and properly document payroll costs. **We also recommend** that the Division consult with its cognizant agency regarding the questioned costs.

FINDING #2. The Division did not fully comply with all federal requirements for the Basic Support Grant. OMB *Circular A-133* established 12 compliance requirements for the grant. The Division did not comply with three of the requirements during fiscal year 2005. The following explains:

1. Cash management requests for reimbursement of costs spent on the grant are required to be supported with proper documentation. In two instances, the Division requested \$500,000 cash draws without supporting documentation.
2. Grant requirements state that an applicant's eligibility for services must be determined within a reasonable time period, not to exceed 60 days after an application is submitted. There are two allowable exceptions to this requirement. Between October 1, 2004 and September 30, 2005, 450 new client applications went beyond the 60-day requirement. Of these, 153 did not have the proper documentation to indicate they met the exception for an extension of the time limit.
3. Amounts reported to the federal government are required to be accurate, complete, and in agreement with the accounting records. Because there was no approved indirect cost rate (as noted in Finding #1), the reports to the federal government do not correctly identify federal costs to the grant.

We recommend that the Division fully comply with applicable federal requirements by (1) documenting all costs prior to requesting reimbursement, (2) documenting all eligible determination extensions, and (3) correcting the required reports to show proper federal costs.

FINDING #3. The Community Supported Employment Program and related services are not coordinated or monitored. Our fiscal year 2003 report for the Idaho Department of Health and Welfare identified that the Community Supported Employment Program was not properly coordinated or monitored. This program is funded through General Fund appropriations, and is used to pay providers for community-supported employment and related services for developmentally disabled clients. This program was shifted from the State Department of Health and Welfare to the Division of Vocational Rehabilitation at the beginning of fiscal year 2005.

During fiscal year 2005, the Division received \$3.97 million for this program. Most of these funds, \$3.76 million, were paid to providers for community-supported employment and related services. Many of the providers also provide developmental therapy services that are billed to the Medicaid program. During fiscal year 2005, more than \$28.7 million in Medicaid funds were paid to these same providers. Other State agencies, including the Department of Commerce and Labor, Department of Administration, and Department of Health and Welfare, purchased more than \$7 million for other goods and services during this same time period. These amounts have increased dramatically from fiscal year 2003, when the grant was \$3.2 million, Medicaid was \$7 million, and amounts purchased by other State agencies were \$1.8 million.

Coordinating and monitoring funding for community-supported employment is essential, given the amount of funds involved from multiple sources, and the need to ensure that resources are properly accounted for and applied. Vocational Rehabilitation has two employees assigned to the program. These employees visit provider sites, but do not document their visits. Without full monitoring of program services and related costs, the Division is unable to ensure that program objectives are being met. There is also the potential for providers to claim reimbursement or bill services to more than one funding source or entity.

We recommend that the Division establish a monitoring program for the Community Supported Employment Program.

PRIOR FINDINGS AND RECOMMENDATIONS. There were no findings and recommendations in the prior report.

AGENCY RESPONSE. The Division has reviewed the report and is in general agreement with its contents. The Division's complete response to the findings and recommendations is included in the full report.

FINANCIAL SUMMARY. The procedures completed and described above help us express our opinion on the fairness of presentation of the *Statewide Comprehensive Annual Financial Report (CAFR)*. Although no opinion is given on the financial data presented in this report, one is given on all State funds in the *CAFR*, including the financial data presented here.

The Division received a General Fund appropriation in fiscal year 2005 of about \$7.8 million, as well as \$14.5 million from the federal government. The funds are used primarily to administer the State's Vocational Rehabilitation Program. In fiscal year 2005, the Division expended about \$7.3 million on personnel costs, \$1.7 million on operating and capital outlay costs, and \$14.5 million on trustee and benefit payments on behalf of clients.

IDAHO DIVISION OF VOCATIONAL REHABILITATION – FINANCIAL SUMMARY

FISCAL YEAR 2003

Fund	Title	Beginning Appropriation / Cash Balance	Plus Receipts	Less Disbursements	Less Transfers Out	Ending Appropriation / Cash Balance
0001	General Fund	\$3,852,096.56	\$9,849.00	\$3,630,059.47	\$0.00	\$231,886.09
0288	Rehabilitation Revenue	120,847.79	263,762.06	384,608.44	0.00	1.41
0348	Federal	287,727.06	11,247,745.00	11,238,867.15	0.00	296,604.91
0349	Miscellaneous Revenue	1,324.50	291,192.50	276,215.06	0.00	16,301.94
	Totals	\$4,261,995.91	\$11,812,548.56	\$15,529,750.12	\$0.00	\$544,794.35

FISCAL YEAR 2004

Fund	Title	Beginning Appropriation / Cash Balance	Plus Receipts	Less Disbursements	Less Transfers Out	Ending Appropriation / Cash Balance
0001	General Fund	\$3,821,572.70	\$6,558.91	\$3,638,829.19	\$0.00	\$189,302.42
0288	Rehabilitation Revenue	1.41	217,589.51	217,590.77	0.00	0.15
0348	Federal	296,604.91	14,381,882.91	13,692,520.88	0.00	985,966.94
0349	Miscellaneous Revenue	16,301.94	329,815.08	343,086.93	0.00	3,030.09
	Totals	\$4,134,480.96	\$14,935,846.41	\$17,892,027.77	\$0.00	\$1,178,299.60

FISCAL YEAR 2005

Fund	Title	Beginning Appropriation / Cash Balance	Plus Receipts	Less Disbursements	Less Transfers Out	Ending Appropriation / Cash Balance
0001	General Fund	\$7,826,832.24	\$1,228.91	\$7,758,571.67	\$0.00	\$69,489.48
0288	Rehabilitation Revenue	0.15	400,979.25	400,976.00	0.00	3.40
0348	Federal	985,966.94	14,471,154.74	14,903,136.48	60,856.58	493,128.62
0349	Miscellaneous Revenue	3,030.09	561,002.48	408,098.64	68.94	155,864.99
	Totals	\$8,815,829.42	\$15,434,365.38	\$23,470,782.79	\$60,925.52	\$718,486.49

The increase of approximately \$4 million from the General Fund appropriation in fiscal year 2005 was due to the Community Supported Employment Program moving from the State Department of Health and Welfare to the Division of Vocational Rehabilitation in fiscal year 2005.

OTHER ISSUES. In addition to the findings and recommendations, we discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Idaho Division of Vocational Rehabilitation and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by Dr. Michael Graham and his staff.

QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:

Ray Ineck, CGFM, Supervisor, Legislative Audits

Eugene Sparks, CPA, CGFM, Managing Auditor

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AGENCY RESPONSE



**Idaho Division of
Vocational
Rehabilitation**

An Agency of the Idaho
State Board of Education

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March 29, 2006

Ray Ineck, Supervisor Legislative Audits
State Capitol Bldg. Room 108
Boise, Idaho 83720

Dear Ray;

We would like to express our appreciation to you and your staff for the work performed in the recent audit for the State Fiscal Year ending June 30, 2005. We have attached our response to the three findings from that audit.

I would like to add that the specific procedures performed including an internal control review and an audit of our Vocational Rehabilitation Federal Grant resulted in some useful recommendations from your staff. These recommendations will improve policies, procedures and promote our entity's continued overall efficiency.

Please express my gratitude to your staff: Gene Sparks, Cliff Larson and Jim Combo.

Sincerely,

A handwritten signature in cursive script that reads "Michael Graham". The signature is written in dark ink and is positioned above the printed name and title.

Dr. Michael Graham
Administrator

FINDINGS AND RECOMMENDATIONS

FINDING #1

CFDA Title: Rehabilitation Services

CFDA Number: 84.126

Federal Award #: H126A050016

Program Year: October 1, 2004 to
September 30, 2005

Federal Agency: U.S. Department
of Education

Compliance Requirements:

B – Allowable Costs/Cost Principles

Questioned Costs: \$432,400

The Division is not in compliance with the requirements for allowable costs for the Rehabilitation Services Basic Support Grant.

The Rehabilitation Services Basic Support Grant assists the Division in operating statewide comprehensive vocational rehabilitation programs. These programs include, but are not limited to, assessment, counseling, vocational and other training, job placement, and rehabilitation technology. Each program is an integral part of a statewide workforce investment system and is designed to assess, plan, develop, and provide vocational rehabilitation services for individuals with disabilities. These services assist disabled Idaho residents in retaining or entering into employment commensurate with their abilities, skills, and desires. During fiscal year 2005, the State spent more than \$13 million in Basic Support Grant funds, and the State matched this grant with more than \$3 million.

The Division of Vocational Rehabilitation must comply with several federal regulations for the Basic Support Grant, including specific regulations related to allowable costs and other cost principles. The Office of Management and Budget (OMB) *Circular A-87, Cost Principles for State, Local and Indian Tribal Governments*, lists the primary requirements for establishing allowable costs. This guidance also provides the methodologies for charging these costs to grants. The following are examples of non-compliance with these cost principles.

1. The Division is charging indirect costs without an approved plan. Indirect costs are those incurred for a common or joint purpose, benefitting more than one objective, and that cannot be readily identified with a particular final cost objective. *OMB Circular A-87* explains how to develop an indirect cost proposal with the proper documentation. The proposal is then submitted to a cognizant agency for approval of an indirect cost rate.

The Division submitted an allocation proposal to the U.S. Department of Education (USDE) in fiscal year 2002. This allocation proposal was rejected, and the Division was asked to provide an indirect cost-rate

proposal. The Division submitted an indirect cost-rate proposal dated August 26, 2004. Additional information was requested by the USDE, but the Division has not yet provided the information. As a result, the Division has not complied with this requirement, and has charged indirect costs based on an unapproved cost-rate proposal.

2. *OMB Circular A-87* also states that costs allocable to a particular federal award or cost objective may not be charged to other federal awards. The Division charged the Basic Support Grant \$432,400 in costs allocable to eight other State and federal programs. These costs were charged to the Basic Support Grant because the cost limits for the other programs had been reached. The Division's allocation plan set amounts that could be charged to the eight other State and federal grants. When these amounts were reached, all remaining indirect costs were charged to the Basic Support Grant.
3. *OMB Circular A-87* requires employees who work on multiple activities or cost objectives to support time worked with activity reports, approved time sheets, or equivalent documentation. A statistical sampling system or other substitute system may be used if approved by the cognizant federal agency. Payroll costs of \$7 million for 135 Division employees charged to the Basic Support Grant were not properly supported with time certifications, time sheet work activities, or other approved methods to determine allowable personnel costs. The Division reduced each payroll draw by \$25,000 to compensate for employees' time not attributable to the grant. This method was not approved by the cognizant federal agency, the USDE.

The Division did not know this federal regulation existed. Therefore, it has not maintained the required documentation. As a result, the grant may have over- or under-charged the appropriate amount for payroll costs.

Similar issues were also identified in the USDE's Rehabilitation Services Administration *FY 2004 Annual Review Report* of the Division issued December 13, 2005.

RECOMMENDATION #1

We recommend that the Division obtain an approved indirect cost-rate plan and properly document payroll costs. We also recommend that the Division consult with the USDE regarding the questioned costs.

CORRECTIVE ACTION PLAN

FINDING #2

CFDA Title: Rehabilitation Services

CFDA Number: 84.126

Federal Award #: H126A050016

Program Year: October 1, 2004 to
September 30, 2005

Federal Agency:

U.S. Department of Education

Compliance Requirements:

C – Cash Management

E – Eligibility

L – Reporting

Questioned Costs: Not determinable

The Division has been utilizing an indirect cost allocation plan not approved by the cognizant agency. This plan redistributes costs applicable to non-federal programs and reduces the amounts charged to the Basic Support Grant by those amounts. This results in a shifting of costs from the Basic Support Grant to other federal and non-federal programs. We limited the amount shifted by 10.07% for all programs except the Community Supported Employment Grant, which was limited to 5%. We then charged any excess to the Basic Support Grant. The Division has since filed an indirect cost rate proposal dated March 10, 2006. The rate proposed is 10.67%. The Division will also draft a policy and implement a new system for personnel activity reporting in compliance with OMB Circular A-87, with a start date of April 9, 2006. This will allow for the proper documentation of payroll costs in accordance with OMB Circular A-87.

The Division did not fully comply with all federal requirements for the Basic Support Grant.

As stated in the prior finding, the Basic Support Grant assists the Division of Vocational Rehabilitation in operating statewide comprehensive vocational rehabilitation programs. *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* establishes 12 compliance requirements for the Basic Support Grant. The Division did not fully comply with three of these requirements, including cash management, eligibility, and reporting. The following explains this non-compliance.

1. Cash Management – Cash management requests for reimbursement of costs spent on the grant are required to be supported with proper documentation prior to the reimbursement request.

The Division requested \$500,000 in cash draws in both January and May 2005, without supporting documentation for the costs incurred. Although costs related to the federal program were incurred when the funds were requested, the supporting documentation was not prepared. Division staff confirmed program costs to support the draw requests were not identified, and funds were drawn to pay for ongoing expenditures.

2. Eligibility – Grant requirements state that an applicant's eligibility for services must be determined within a reasonable period of time, not to exceed 60 days after the individual has submitted an application. Exceptions to the 60-day requirement include documentation (1) of exceptional and unforeseen circumstances, and that the Division and individual agree to a specific time extension; or (2) that the Division is exploring an individual's abilities, capabilities, and capacity to perform in a work situation through trial work experiences.

A report from the Division's case management system listed 450 new Vocational Rehabilitation clients between October 1, 2004 and September 30, 2005, whose eligibility determination extended beyond the 60-day requirement. Eligibility extension could not be verified for 153 clients, because there was no supporting documentation to show they met exceptions for the extension. No reason was given for the lack of proper documentation.

3. Reporting – Amounts reported to the federal government are required to be accurate, complete, and in agreement with the accounting records. The *Program Cost Report* (RSA-2) showed \$16,514,000 in expenditures for the period October 2004 through September 2005. This is an annual report that shows the Basic Support Grant and the Supported Employment Grant expenditures and outstanding obligations. The *Financial Status Quarterly Report* (SF-269) showed \$13,872,000 in expenditures for the same time period, for the Basic Support Grant expenditures only. As identified in Finding #1, the Division allocates costs from the accounting system to report program expenditures through an allocation process that is not approved by USDE. Therefore, the amounts on both reports are not accurate, due to the improper allocation.

The USDE's Rehabilitation Services Administration reported issues similar to these in its *FY 2004 Annual Review Report*.

RECOMMENDATION #2

We recommend that the Division take steps to fully comply with applicable federal requirements by (1) documenting all costs prior to requesting reimbursement; (2) documenting all eligibility determination extensions; and (3) correcting the required reports to show proper federal costs.

CORRECTIVE ACTION PLAN

1. IDVR [Idaho Division of Vocational Rehabilitation] conducted an analysis of its documentation of costs prior to reimbursement, and discovered that in two instances complete documentation was not provided. However, the draws were for current expenditures, and to supply needed cash for current expenditures. The Division has since received borrowing authority from the Division of Financial Management to provide cash in the future. The Division will also ensure that adequate cost documentation exists before draws are processed.
2. Corrective action will be taken to ensure that this finding is not repeated. That action will include the creation of a critical case documentation template that specifically directs the counselor to complete an electronic form that will establish a specific time frame and justification for extending eligibility determination. The system will impose an activity-due reminder to ensure that the decision is

completed within the extended time frame. Staff will be trained and familiarized with the program modification by April 30, 2006.

3. IDVR has performed an analysis of outlays reported on the SF-269 for the Basic Support Grant Award and determined that some of those outlays were to provide services to non-vocational rehabilitation clients. The amount of \$71,979 allocated improperly to the Basic Support Grant was for services provided to non-vocational rehabilitation clients in the State Community Supported Employment Work Services program. As of March 31, 2006, all required reports have been corrected and entered into the automated report system. The cognizant agency representative, Joe Pepin, has been notified of this completion. This error resulted from errors in our systematic process, and this has since been rectified.

FINDING #3

State Issue

The Community Supported Employment Program and related services are not coordinated or monitored.

During fiscal year 2004, our office issued a report on the Department of Health and Welfare that concluded the Community Supported Employment Program needed better coordination or monitoring. This program is funded through General Fund appropriations, and is used to pay providers for community-supported employment and related services for developmentally disabled clients. This program was shifted from the Department of Health and Welfare to the Division of Vocational Rehabilitation at the beginning of fiscal year 2005.

During fiscal year 2005, the Division received \$3.97 million for the Community Supported Employment Program. Most of these funds (\$3.76 million) were paid to providers for community-supported employment and related services, and the remainder was used for program administration. Many of the providers also provide developmental therapy services that are billed to the Medicaid program. During fiscal year 2005, more than \$28.7 million in Medicaid funds was paid to these same providers. Other State agencies, including the Department of Labor, Department of Administration, and Department of Health and Welfare, purchased about \$3 million for other goods and services provided by the providers. These amounts have increased dramatically from fiscal year 2003 when the community-service program was \$3.2 million, Medicaid was \$7 million, and amounts purchased by other State agencies was \$1.8 million.

The Division has two employees specifically assigned to the program. The Division has established a contract with each provider that has 30 requirements, ranging from a general overview; training clients; reporting; and record maintenance. The two employees visit provider sites and help train provider personnel, resolve client complaints, and review documentation,

as specified in the provider contracts. The records reviewed to ensure compliance with the contract are not documented.

The Division has not established follow-up procedures for monitoring the client services to ensure that the billings are accurate for the services provided. We did not make any site visits; however, we reviewed the list of clients served by two providers. In one case over 50% of the clients (25 out of 49) were receiving services paid by Medicaid, as well as support from the Division for extended employment services. The second provider had nearly 36% (69 out of 193) of the clients receiving services from both agencies. Although the services provided by Medicaid and the Division are not similar, the potential exists that providers could claim reimbursement from more than one funding source or entity for the same time period.

Coordinating and monitoring funding for community-supported employment is essential, given the amount of funds involved from multiple sources, and the need to ensure that resources are properly accounted for and applied. Without full monitoring of program services and related costs, the Division is unable to ensure that General Fund support at the current level is adequate to meet the program objectives.

RECOMMENDATION # 3

We recommend that the Division establish a monitoring program for Community Supported Employment Program. The specific contract criteria is a good starting point to establish and document a monitoring program. Monitoring should include addressing the performance of the providers in accordance with the contract, verifying and validating monthly billings, and tracking reports and documentation received from the providers.

CORRECTIVE ACTION PLAN

The Division is committed to obtain services paid for by the program funds in all areas. In the case of the Extended Employment (EE) Program, the initial part of that assurance is captured by the activity identified by the legislative auditors.

The two employees visit provider sites and help train provider personnel, resolve client complaints, and review documentation, as specified in the provider contracts.

Over the past year when difficulties in billing or concerns of matching service provision to submitted bills, the EE employees have traveled to the vendor location, met with clients verified appropriateness of service, and, when needed, denied payment of questionable bills. A foundational level of appropriateness of service by providers is the requirement to be certified by one of two regional or national certification bodies. All but one of current vendors presently meet this criteria, and the one in question will not be reimbursed for services after April 1, 2006.

A draft form for monitoring vendor activities pertaining to purchase services by the EE employees is under development. The two employees will complete the development of the monitoring procedure by the end of April 2006, and implement the new process by the end of May 2006. The new procedure will be presented to the EE vendors through their two primary membership groups, the Vocational Providers of Idaho and the Idaho Association of Community Rehabilitation Programs. This timing will be in keeping with the effective date of the new EE fiscal year. The emphasis of the monitoring procedure will be to ensure services paid for by the agency are services rendered by each of the vendors.

As administrator, one concern from the audit is the appearance of a double standard required of the EE program in monitoring. IDVR, as an agency, does not monitor any other providers outside of the EE program for services with whom we have contracts to ensure that double payments are not processed. We hold agreements with organizations such as universities, tribal vocational rehabilitation programs, and other entities, in which there are possibilities of duplicate resources captured by the provider. We do not have the manpower or the apparent authority to address this concern with other vendors. The concern now exists that a more rigorous standard is required by IDVR in the case of some vendors (e.g., community rehabilitation programs). With this new requirement, the Division may be required to exercise discriminate behavior to a specified group of vendors.

CONTACT PERSON

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Idaho Division of Vocational Rehabilitation
208-287-6450

APPENDIX

HISTORY

The first concept of total rehabilitation began in the early part of the 20th Century. The realization that care and education were not enough, and that society must prepare the disabled to become self-supporting, resulted in the establishment of the State-Federal Vocational Rehabilitation Program on June 2, 1920.

This initial program (jointly financed and developed by federal and state governments) provided services for persons with disabilities. These services consisted of special assistance in job training and placement, counseling and guidance, and prosthetic appliances. In 1943, an act was passed that expanded the scope of services provided under the 1920 act, and for the first time authorized the provision of medical services, services to individuals who suffered from psychiatric illnesses, and vocational rehabilitation of the blind.

In 1954, the basic provisions of services to people with disabilities were continued and, in addition, broadened the program by authorizing a series of changes in professional, fiscal, and technical areas. Some of the provisions included full federal participation in all phases of the program, state agency expansion for better rehabilitation methods, training for more professional personnel, and construction enlargement or alteration of rehabilitation centers.

The Idaho Division of Vocational Rehabilitation has grown in line with the federal program. In 1920, Idaho accepted the Federal Vocational Rehabilitation Program. At that time, it was placed under the State Board for Vocational Education, with services provided by only one rehabilitation counselor. Currently, the Division is organized under the State Board of Education and employs 150 people. As provided by Idaho Code, Section 67-5303, the professional staff, including counselors, are exempt from the Division of Human Resources.

STATUTORY AUTHORITY

Since 1920, Idaho has administered vocational rehabilitation services under the provisions and benefits of the federal act. Acceptance of this act is contained in Idaho Code, Sections 33-2301 through 33-2308, which state, in part:

The state of Idaho hereby renews its acceptance of the provisions and benefits of the act of Congress, entitled "An act to provide for the promotion of vocational rehabilitation of

persons with disabilities, other than those who are legally blind, and their return to employment," and further accepts "The Rehabilitation Act of 1973," P.L. 93-112, 93rd Congress, and "The Rehabilitation Act Amendments of 1998," P.L. 105-220, 105th Congress, and will observe and comply with all requirements of such acts.

ORGANIZATION

The Idaho State Board of Education is designated as the agency to administer, supervise, and control the State Vocational Rehabilitation Plan. The Board has authority to appoint such assistants as may be necessary to administer vocational rehabilitation in Idaho.

The administrator of the Division reports directly to the executive director of the Office of the State Board of Education. The administrator devotes full time and efforts to Division programs, and has primary responsibility for the direction and administration of the vocational rehabilitation programs.

The Division has eight regional offices, two in Boise, and one each in Caldwell, Coeur d'Alene, Lewiston, Pocatello, Idaho Falls, and Twin Falls. Sub-offices are located in Blackfoot, Burley, Moscow, Mountain Home, Nampa, Orofino, Payette, Preston, Rexburg, Salmon, Sandpoint, and Boise School District. Under cooperative agreements, additional offices are located where needed.

FUNDING

The Division receives its funding from the State General Fund, federal funds, and miscellaneous receipts. It administers two programs that are entirely State funded, plus five federal programs.

Renal Disease Program – This program is entirely State funded. It assists individuals who require kidney dialysis or transplants, and do not have access to any other financial resources.

Work Services Community Supported Employment – This program was transferred from the State Department of Health and Welfare, effective July 1, 2004. The program provides remunerative work and support for adults with developmental disabilities and mental illness, who lack the skills and experience to obtain and maintain employment in the competitive job market. This program is comprised of Work Services and Community Supported Employment.

Basic Support Program – This is the Division's largest program. Its purpose is to assist individuals whose disability is a barrier to their current employment, or in finding employment in their current field or in a new, more compatible field. The Division accomplishes this through counseling, medical restoration, training, and job placement. This grant requires a 21.3% State match.

In-Service Training – This program requires a 10% State match and pays for staff training.

SSA Benefits Program – This grant is 95% federal and 5% State match to provide planning, assistance, and outreach to Social Security beneficiaries in Idaho.

Community Based Supported Employment – This grant is 100% federally funded and is designed to mainstream the individuals who are most severely disabled, including those working in sheltered employment situations.

Epilepsy Services – This program began in 1992, and is entirely funded by the State. It educates individuals and the general public about epilepsy, and provides information and referral services to those with epilepsy.

Migrant Worker and Seasonal Farm Worker Program – This program targets disabled migrant and seasonal farm workers for employment rehabilitation. It requires a 10% State match.

State Independent Living – This grant funds the Statewide Independent Living Council (SILC), appointed by the Governor. The SILC jointly develops, with the Idaho Division of Vocational Rehabilitation and the Idaho Commission for the Blind and the Visually Impaired, a statewide independent living plan. It monitors, reviews, and evaluates the implementation of the plan; holds public meetings; coordinates activities with the Vocational Rehabilitation Advisory Council; and submits reports to the Commissioner of Rehabilitation Services. The SILC is also responsible for supporting centers for independent living, conducting studies and analyses, developing model policies and other activities to improve independent living services, and supporting activities to improve current disability service systems. This grant requires a 10% State match.

As of July 1, 2004, the SILC became separate from the Division of Vocational Rehabilitation; however, the Division continues to administer the grant.

IDAHO DIVISION OF VOCATIONAL REHABILITATION ORGANIZATIONAL CHART

The level of boxes on this flow chart show reporting relationships only and have no significance with regard to the relative importance of the individual's position or status.

